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IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF UTAH  
CENTRAL DIVISION

In re:

MERIDIAN RESTAURANTS UNLIMITED, LC;  
LOVELOUD RESTAURANTS, LC; AZM  
RESTAURANTS, LC; HR RESTAURANTS, LC;  
MR RESTAURANTS, LC; NDM  
RESTAURANTS, LC; and NKS RESTAURANTS,  
LC,

Debtors-in-Possession.

Bankruptcy Case No. 23-20731-KRA  
Bankruptcy Case No. 23-20732-KRA  
Bankruptcy Case No. 23-20733-KRA  
Bankruptcy Case No. 23-20736-KRA  
Bankruptcy Case No. 23-20737-KRA  
Bankruptcy Case No. 23-20738-KRA  
Bankruptcy Case No. 23-20739-KRA

Chapter 11  
Judge Kevin R. Anderson

**Jointly Administered Under  
Bankruptcy Case No. 23-20731-KRA**

[Filed via ECF]

**REPORT OF AUCTION**

Debtors Meridian Restaurants Unlimited, L.C. ("Meridian"), Loveloud Restaurants, L.C. ("Loveloud"), AZM Restaurants, L.C. ("AZM"), HR Restaurants, L.C. ("HR"), MR Restaurants, L.C. ("MR"), NDM Restaurants, L.C. ("NDM"), and NKS Restaurants, L.C. ("NKS") (collectively, the "Debtors"), debtors and debtors-in-possession in the above-captioned jointly administered chapter 11 case, by and through their undersigned counsel, hereby file this *Report*

of Auction in connection with the Auction held on September 19, 2023 (the “Auction”), and state as follows:

1. On August 2, 2023, the Court entered the Order: (I) *Approving the Bidding Procedures*; (II) *Approving Procedures for Approving Stalking Horse Bidders and Granting Bid Protections*; (III) *Approving Procedures for Assumption and Assignment of Certain Executory Contracts and Related Notices*; (IV) *Scheduling the Bid Deadline, the Auction and Sale Hearing*; (V) *Approving the Form and Manner of Notice Thereof*; and (VI) *Granting Related Relief* (Docket No. 411) (the “Bidding Procedures Order”). The Bidding Procedures Order approved bidding procedures (the “Bidding Procedures”) to govern the process for the sale at the public auction of substantially all the Debtors’ assets (the “Auction”).

2. Pursuant to the Bidding Procedures Order (Docket No. 411, p. 9, at ¶ 13), on September 6, 2023, the Debtors filed and served the Notice of Sale, Bidding Procedures, Auction, and Free and Clear Sale Hearing (“Notice of Auction”). See *Notice of Auction Sale*, Docket No. 460; *Certificate of Service*, Docket No. 498.

3. Pursuant to the Bidding Procedures Order and Notice of Auction, the Auction was held and concluded on September 19, 2023. The Auction began at 10:00 a.m. prevailing Mountain Time and continued through approximately 9:45 p.m.

4. The Debtors entered the Auction with ninety-one (91) operating restaurants. At the conclusion of the Auction, sixty-seven (67) restaurants will be sold subject to Court approval at the Sale Hearing. There were no acceptable Qualified Bids at the Auction for the remaining twenty-four (24) restaurants at this time.<sup>1</sup>

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<sup>1</sup> Late in the Auction, Burger King Company informed the Debtors that it might be interested in acquiring three (3) of the Debtor’s restaurants in Wyoming, those restaurants bearing Store Nos. 2178, 9507, and 17794. The Debtors and BKC continue to explore the possible sale of these restaurants and, if they come to an agreement prior to the

5. Prior to the conclusion of the Auction, the Debtors, in consultation with (i) the Chief Restructuring Officer, Michael Thatcher, (ii) Debtors' counsel, (iii) Hilco Corporate Finance, LLC ("Hilco"), the Debtors' Investment Banker in the Bankruptcy Case, (iv) Burger King Company LLC ("BKC"), and (v) the Official Committee of Unsecured Creditors (the "Creditors' Committee") (collectively, the "Consultation Parties"), reviewed and considered each Qualified Bid and determined the Winning Bid, Winning Bidder and the Back-Up Bidder, if any. *Bidding Procedures Order*, Ex. 1, Docket No. 411, pp. 9-10 at Sec. I.

6. After consultation with the Consultation Parties, the Debtors accepted the following bids and in their reasonable business judgment designated such as "Winning Bids" under the Bidding Procedures Order:

- a. Arizona: With respect to Store Numbers 2982, 6315, 6787, 6879, 9644, 11383 and 14184 in Arizona (the "KRAF Locations"), **KRAF, Inc.** is the Winning Bidder for the KRAF Locations at a cash purchase price of \$7,000,000. The Debtors had an initial stalking horse bid of \$7,000,000 (including a provision for \$1,500,000 of the purchase price to be placed into a Construction Holdback escrow to address hurricane damage sustained at the restaurant located at 415 S. State Route 90 Bypass, Sierra Vista, Arizona) from KRAF, Inc.
- b. Kansas/Nebraska: With respect to Store Numbers 3597, 4582, 5492, 5880, 7061, 10218, 10701, 14234, 21514, 25701, 26116 in Kansas, and Store Numbers 4247, 5167, 6677, 12128, and 17904 in Nebraska (together, the "Kansas King Locations"), **Kansas King, Inc.** is the Winning Bidder for the Kansas King Locations at a cash purchase price of \$700,000, plus additional support funding as

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September 25, 2023 sale hearing, will ask the Court to approve that additional sale as well. As a result, the Auction was not formally concluded as of filing this Notice of Auction.

agreed to be provided by BKC in the amount of \$1,508,948, for a total cash bid of \$2,208,948. Kansas King, Inc. is also assuming the store-level accrued PTO for the store-level employees at the Kansas King Locations. Kansas King, Inc. is expressly not assuming any contracts/leases involving Varilease Financial Inc.

- c. Minnesota/North Dakota: With respect to Store Numbers 4934 and 11345 in Minnesota, Store Number 25583 in Montana, and Store Numbers 1589, 2209, 8836, 9915, 11084, 11142, 22109, 22687, and 23092 in North Dakota (together, the “DRP Locations”), **Dakota Restaurant Partners Inc.** is the Winning Bidder for the DRP Locations at a cash purchase price of \$3,275,000, plus an additional \$129,000 as payment for certain inventory and cash on hand (calculated at \$10,000 per restaurant for inventory and \$750 per restaurant for cash on hand), for a total cash bid of \$3,404,000.
- d. Montana (three locations): With respect to Store Numbers 7518, 9036, and 22961 in Montana (together, the “SRF Locations”), **Snake River Foods, Inc.** is the Winning Bidder for the SRF Locations at a cash purchase price of \$600,000, plus an additional \$32,250 as payment for certain inventory and cash on hand (calculated at \$10,000 per restaurant for inventory and \$750 per restaurant for cash on hand), for a total cash bid of \$632,250. Snake River Foods, Inc. is also assuming the store-level accrued PTO for the store-level employees at the SRF Locations.
- e. Montana (remaining locations): With respect to Store Numbers 1666, 2195, 5165, 6608, 8411, 9084, 9257, 11413, 13158, 13293, 17433 and 26151 in Montana (together, the “BKC Montana Locations”), **Burger King Company LLC** is the

Winning Bidder for the BKC Montana Locations at a cash purchase price of \$1,375,000. As part of its bid for the BKC Montana Locations, BKC has additionally agreed to waive the cure amounts for royalties and advertising fees under the franchise agreements for the BKC Montana Locations, and has also agreed to waive all post-petition royalties and advertising fees under the franchise agreements for the other stores operating by Debtor HR. BKC is also assuming the store-level accrued PTO for the store-level employees at the BKC Montana Locations.

- f. Utah: With respect to Store Numbers 7233, 7837, 9601, 9661, 9949, 9960, 10457, 10484, 10511, 10519, 10625, 12902, 14035, 24378, 24943, 25282, and 25484 in Utah (together, the “BKC Utah Locations”), **Burger King Company LLC** is the Winning Bidder for the BKC Utah Locations at a cash purchase price of \$3,002,000. As part of its bid for the BKC Utah Locations, BKC has additionally agreed to waive the cure amounts for royalties and advertising fees under the franchise agreements for the BKC Utah Locations, and has also agreed to waive all post-petition royalties and advertising fees under the franchise agreements for the other stores operating by Debtor MR. BKC is also assuming the store-level accrued PTO for the store-level employees at the BKC Utah Locations.

7. BKC has approved all Winning Bidders as potential buyers/franchisees under the applicable BKC Franchise Agreements.

8. The Debtors, in their reasonable business judgment and after consultation with the Consulting Parties, agreed that **Burger King Company LLC** is the bound Back-Up Bidder for the SRF Locations, on the same terms and conditions as the Winning Bids for such locations.

9. Pursuant to the Winning Bids and the Backup Bids, and except as specifically stated herein, any Cure Costs for assumed and assigned contracts and leases shall be paid by the buyers, and the Debtors estimate that such Cure Amount total approximately \$6,411,232 for all sold restaurant locations.

10. The Debtors are providing this Notice to counterparties of any assumed and assigned executory contracts and unexpired leases subject to the Winning Bids and Back-Up Bids.

11. The Bidding Procedures Order provides that the Sale Hearing will be held virtually on **Tuesday, September 26, 2023 at 1:30 p.m. (prevailing Mountain Time)**, before the Honorable Kevin Anderson, United States Bankruptcy Judge, via Zoom hearing. At the Sale Hearing, the Debtors will request that the Bankruptcy Court enter an order approving the sales of the purchased assets to the Winning Bidders as described herein.

DATED September 20, 2023.

Respectfully submitted,  
RAY QUINNEY & NEBEKER P.C.

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-- and --

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*Counsel for the Debtors-In-Possession*

**CERTIFICATE OF SERVICE**

I hereby certify that on September 20, 2023, the foregoing **REPORT OF AUCTION** was electronically filed with the Clerk of Court using CM/ECF system, and therefore served via CM/ECF on all parties and counsel of record in these chapter 11 cases.

/s/ Serina Schaefer

For Markus Williams Young & Hunsicker LLC